

**PRESERVATION ALLIANCE OF NEW ORLEANS, INC.**  
**d/b/a**  
**PRESERVATION RESOURCE CENTER OF NEW ORLEANS**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**YEARS ENDED June 30, 2012 AND 2011**

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**INDEPENDENT AUDITORS' REPORT ON  
CONSOLIDATED FINANCIAL STATEMENTS**

March 11, 2013

To the Board of Directors of  
Preservation Alliance of New Orleans, Inc.  
d/b/a Preservation Resource Center of New Orleans  
New Orleans, Louisiana

We have audited the accompanying consolidated statements of financial position of Preservation Alliance of New Orleans, Inc. d/b/a Preservation Resource Center of New Orleans (PRC) as of June 30, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PRC as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2013, on our consideration of PRC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

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That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of PRC taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Hienz & Macaluso, LLC*  
Metairie, LA

<b>PRESERVATION RESOURCE CENTER OF NEW ORLEANS</b> <b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b> <b>JUNE 30, 2012 AND 2011</b>		
	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 813,172	\$ 861,641
Grants receivable	507,688	1,586,488
Other receivable	1,175,050	1,014,067
Investments	845,206	990,186
Pledges receivable, net	35,400	42,400
Other assets - real estate	2,627,683	3,285,378
Inventory	77,824	107,714
Property and equipment, net	2,154,461	2,243,485
Total assets	<u>\$ 8,236,484</u>	<u>\$ 10,131,359</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 216,635	\$ 410,033
Accrued vacation	64,811	73,557
Advances	80,125	192,704
Lines of credit	1,523,773	2,160,441
Capital lease obligations	20,851	24,715
Notes payable	280,374	384,012
Total liabilities	<u>2,186,569</u>	<u>3,245,462</u>
Net assets:		
Unrestricted:		
Undesignated	4,221,801	5,315,555
Designated	1,154,704	1,410,100
Temporarily restricted	673,410	160,242
Total net assets	<u>6,049,915</u>	<u>6,885,897</u>
Total liabilities and net assets	<u>\$ 8,236,484</u>	<u>\$ 10,131,359</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2012**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>REVENUE, GRANTS AND OTHER SUPPORT</b>			
Contributions - membership & sustaining	\$ 1,177,873	\$ -	\$ 1,177,873
Grants	2,843,538	642,379	3,485,917
Special events	557,445	-	557,445
Fees, sales and other revenue	1,102,938	-	1,102,938
Gain (loss) on the sale of real estate	(149,918)	-	(149,918)
Net assets released from restrictions:			
Satisfaction of purpose restrictions	129,211	(129,211)	-
Write-down of restricted pledges receivable	-	-	-
Total revenue, grants and other support	<u>5,661,087</u>	<u>513,168</u>	<u>6,174,255</u>
<b>EXPENSES</b>			
Program services:			
Preservation	420,593	-	420,593
Warehouses/Salvage Store/Deconstruction	404,353	-	404,353
Rebuilding Together	3,579,608	-	3,579,608
Operation Comeback	1,225,738	-	1,225,738
Preservation in Print	287,437	-	287,437
Education, Outreach & African-American Heritage	147,041	-	147,041
Total program services	<u>6,064,770</u>	<u>-</u>	<u>6,064,770</u>
Supporting services:			
Management and general	617,688	-	617,688
Fund raising	327,779	-	327,779
Total supporting services	<u>945,467</u>	<u>-</u>	<u>945,467</u>
Total expenses	<u>7,010,237</u>	<u>-</u>	<u>7,010,237</u>
<b>CHANGE IN NET ASSETS</b>	(1,349,150)	513,168	(835,982)
Net assets, beginning of period	<u>6,725,655</u>	<u>160,242</u>	<u>6,885,897</u>
Net assets, end of period	<u>\$ 5,376,505</u>	<u>\$ 673,410</u>	<u>\$ 6,049,915</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

<b>PRESERVATION RESOURCE CENTER OF NEW ORLEANS</b> <b>CONSOLIDATED STATEMENT OF ACTIVITIES</b> <b>YEAR ENDED JUNE 30, 2011</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>REVENUE, GRANTS AND OTHER SUPPORT</b>			
Contributions - membership & sustaining	\$ 1,346,062	\$ -	\$ 1,346,062
Grants	3,848,834	123,660	3,972,494
Special events	653,943	-	653,943
Fees, sales and other revenue	791,500	-	791,500
Gain (loss) on the sale of real estate	(151,586)	-	(151,586)
Net assets released from restrictions:			
Satisfaction of purpose restrictions	670,606	(670,606)	-
Write-down of restricted pledges receivable	-	-	-
Total revenue, grants and other support	<u>7,159,359</u>	<u>(546,946)</u>	<u>6,612,413</u>
<b>EXPENSES</b>			
Program services:			
Preservation	421,739	-	421,739
Warehouses/Salvage Store/Deconstruction	413,419	-	413,419
Rebuilding Together	3,907,645	-	3,907,645
Operation Comeback	1,040,443	-	1,040,443
Preservation in Print	279,263	-	279,263
Education, Outreach & African-American Heritage	118,247	-	118,247
Total program services	<u>6,180,756</u>	<u>-</u>	<u>6,180,756</u>
Supporting services:			
Management and general	617,109	-	617,109
Fund raising	315,652	-	315,652
Total supporting services	<u>932,761</u>	<u>-</u>	<u>932,761</u>
Total expenses	<u>7,113,517</u>	<u>-</u>	<u>7,113,517</u>
<b>CHANGE IN NET ASSETS</b>	45,842	(546,946)	(501,104)
Net assets, beginning of period	<u>6,679,813</u>	<u>707,188</u>	<u>7,387,001</u>
Net assets, end of period	<u>\$ 6,725,655</u>	<u>\$ 160,242</u>	<u>\$ 6,885,897</u>

*The accompanying notes are an integral part of these consolidated financial statements.*



**PRESERVATION RESOURCE CENTER OF NEW ORLEANS**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (835,982)	\$ (501,104)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	164,598	181,084
Gain/Loss on sale of property held for sale	149,918	151,586
Gain/Loss on investments	19,651	(185,944)
Changes in assets and liabilities:		
Grants receivable	1,078,800	(166,953)
Other receivables	(160,983)	(477,352)
Pledges receivable	7,000	2,500
Inventory	29,890	17,643
Accounts payable and accrued liabilities	(193,398)	151,529
Accrued vacations	(8,746)	(23,719)
Advances	(112,579)	154,029
Net cash provided by (used in) operating activities	<u>138,169</u>	<u>(696,701)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale/maturity of investments	125,329	580,139
Purchases of investments	-	(109,682)
Proceeds from sale of other assets - real estate	507,777	183,500
Purchases of other assets - real estate	-	(734,543)
Purchases of property and equipment	(75,574)	(146,520)
Net cash provided by (used in) investing activities	<u>557,532</u>	<u>(227,106)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net change in lines of credit	(636,668)	970,100
Payments on notes payable	(103,638)	(88,787)
Payments on capital lease obligations	(3,864)	(12,993)
Net cash provided by (used in) financing activities	<u>(744,170)</u>	<u>868,320</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(48,469)</u>	<u>(55,487)</u>
Cash and cash equivalents, beginning of year	861,641	917,128
Cash and cash equivalents, end of year	<u>\$ 813,172</u>	<u>\$ 861,641</u>
<b>Supplemental Disclosures:</b>		
Interest paid	<u>\$ 77,050</u>	<u>\$ 55,291</u>

*The accompanying notes are an integral part of these consolidated financial statements.*



**PRESERVATION RESOURCE CENTER OF NEW ORLEANS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2012 AND 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Founded in 1974, Preservation Alliance of New Orleans, Inc. d/b/a Preservation Resource Center of New Orleans (PRC) is a nonprofit organization, which preserves and enhances targeted historical neighborhoods of New Orleans through community revitalization projects. The accompanying consolidated financial statements also include the accounts of JRF, Inc., a Louisiana for-profit corporation that is a wholly owned subsidiary of PRC, which is dormant. JRF, Inc. was utilized to purchase and renovate selected properties in targeted neighborhoods to enhance PRC's revitalization efforts. All intercompany transactions have been eliminated.

The following program and supporting services are included in the accompanying consolidated financial statements:

**Preservation**

The Preservation Program encompasses PRC's various general activities related to promoting the preservation of historic properties and districts, including advocacy before regulatory authorities, public awareness efforts, development of preservation plans for specific properties and districts, and related activities. This program is funded wholly by contributions from PRC's donors.

**Rebuilding Together**

PRC's most significant volunteer event involves the donation of time and materials by contractors, private businesses and individuals, and retailers in an intensive effort to renovate historic residential properties owned by low-income and/or disabled individuals, as well as senior citizens. Since the effects of Hurricane Katrina on August 29, 2005, the renovations are on an ongoing basis throughout the year due to the increased need in the city. Previously, the rebuilding efforts were an annual two-week effort and on a less intensive scale throughout the remainder of the fiscal year. This program is funded by a combination of contributions, corporate sponsorships and government grants.

**Warehouse: Salvage Store and Deconstruction**

The PRC has expanded into sale of salvage items through the salvage store, which accepts donations of architecturally significant items to be sold for reuse in the rebuilding of the city by the public. Additionally, the PRC has implemented a Deconstruction Program, which is only utilized as a last attempt towards historic preservation. This program selectively salvages items from homes that are slated for demolition. The PRC also provides these items to the public for use in rebuilding homes, as well as utilizes some of the materials in the restoration of

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2012 AND 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

buildings through the Operation Comeback and Rebuilding Together Programs. These programs are funded by salvage store sales, in-kind material and monetary donations, as well as grants.

Operation Comeback

Operation Comeback comprises PRC's activities directed towards the acquisition and renovation of blighted historic properties. This program is funded primarily by corporate and individual contributions.

Preservation in Print

Preservation in Print fosters knowledge, stimulates interest, and facilitates participation in public and private historic preservation through the printing and publication of PRC's quarterly newsletter. This program is funded by a combination of contributions from advertising revenues and government grants.

Education and Outreach

Education and Outreach focuses on outreach programs – workshops, lectures, tours, print and electronic information - regarding building acquisition and restoration, cultural heritage, historic architecture and neighborhoods, preservation programs and incentives, with a focus on African-American Heritage (AAH). AAH focuses on the identification and preservation of the homes and significant structures frequented by New Orleans' early jazz musicians. AAH's main purpose is to research, identify, and landmark these homes and other structures.

Management and General

Management and general supporting services include the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of PRC's program strategy; secure proper administrative functioning of the board of directors; maintain competent legal services for the program administration of PRC; and manage the financial and budgetary responsibilities of PRC.

Fund Raising

Fund raising provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2012 AND 2011**

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting.

**Restrictions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Similarly, PRC reports information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions that are restricted for the acquisition of property are reclassified to unrestricted assets when the related property is acquired, unless the donor explicitly attaches a time restriction to the contribution. PRC's temporarily restricted net assets relate to contributions and unconditional promises to give to its capital fundraising campaign, as discussed in Note 2.

**Revenue**

Contributions are generally recorded only upon receipt, unless a pledge of contribution has been received and confirmed. Such pledges are recognized, when the pledge is made, at the net present value of the future contributions. All contributions are considered to be available for unrestricted use unless restricted specifically by the donor.

**Donated Services and Materials**

Numerous skilled laborers, such as carpenters, plumbers, and electricians, along with several hardware retail outlets and property owners, make significant donations of time, materials and warehousing space in conjunction with various revitalization projects. Skilled labor rates, retail values of donated materials and fair value of rental warehousing space are used in valuing and recording these contributions. The value of these contributions for fiscal years 2012 and 2011 was estimated to be approximately \$104,420 and \$85,158, respectively. These amounts are included in contributions, as well as Operation Comeback, Rebuilding Together and Warehouse program services in the accompanying consolidated financial statements.

In addition, volunteers from throughout the community provide unskilled labor in conjunction with Rebuilding Together's project (formerly known as Christmas in October), as well as the Operation Comeback program. The value of these services, which was estimated to be approximately \$663,498 and \$1,057,967 for both fiscal years 2012 and 2011, respectively, are not recognized in the accompanying consolidated financial statements due to the unspecialized nature of these services.

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2012 AND 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Cash and Cash Equivalents**

For the purposes of the statement of cash flows, PRC considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. PRC's cash and cash equivalents at June 30, 2012 and 2011 included approximately \$306,112 and \$414,805, respectively, of investments in money market funds.

If the grantor makes it a requirement, the PRC deposits restricted grant monies into a designated account.

**Investments**

Investments at June 30, 2012 and 2011 consisted of fixed income investments totaling \$258,686 and \$292,034, respectively, and equity investments valued at \$586,520 and \$698,152, respectively. Investments are recorded at fair value. In fiscal 2012 and 2011, interest income on investments was \$27,669 and \$36,866, respectively. Net appreciation (depreciation) in investments was (\$19,651) and \$185,944 for fiscal years 2012 and 2011, respectively.

**Other Assets – Real Estate**

Other assets – real estate is comprised of blighted historic properties PRC acquires and renovates, with the intention to resell. These properties are carried at their historical cost, including renovation. Donated assets are recorded at fair value at the time of their donation.

**Property and Equipment**

Property and equipment are recorded at cost. Donated assets are recorded at fair value at the time of their donation. PRC capitalizes all expenditures for equipment in excess of \$1,000. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets (5 to 25 years). Depreciation expense was \$164,598 and \$181,084 for the years ended June 30, 2012 and 2011, respectively.

**Inventory**

The Rebuilding Together program maintains a PRC warehouse for the storage of purchases of stock items to be used in repairing houses. For these stock items, the procedure was to expense all of these items as Repair Expense – Paint, Lumber-Misc; however, this did not prove to be the most accurate method in terms of costing out these types of items to the various houses and funders for which these items were purchased.

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2012 AND 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Therefore, as of July 1, 2008, the Rebuilding Together personnel took a physical inventory of these stock items and provided the accounting department a list for reclassification into the newly created inventory account and a new computerized inventory management system. The prices are at the weighted average costs of the purchases based on the review of the previous months' purchase invoices. The value of inventory for Rebuilding Together's repairs was \$0 and \$29,890 as of June 30, 2012 and 2011, respectively.

Additionally, the warehouse is now used for Deconstruction Program's salvaged items sales.

During fiscal year 2009, the PRC implemented the computerized inventory management system to track the releases from inventory and assign the cost of the items to repair work being done at specific houses, as well as track the items in the salvage store. The basis for the salvage store inventory values are based on the physical count and a mid-range price based on the previous sales history in which the warehouse staff determined low, mid and high ranges. The value of inventory for the salvage store items was \$77,824 and \$77,824 as of June 30, 2012 and 2011, respectively.

**Income Taxes**

PRC is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and from state income taxes under Section 121 (5) of Title 47 of the Louisiana Revised Statutes of 1950; it is not a private foundation.

JRF, Inc., a wholly owned subsidiary of PRC which is currently dormant, is a Louisiana for-profit corporation subject to federal and state income tax laws.

**Advertising**

PRC expenses advertising costs as incurred. During fiscal 2012 and 2011, PRC's advertising costs charged to expense were \$33,896 and \$17,265, respectively.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. PRC's estimates include those regarding the fair value of contributed services and the collectability of receivables.

**Reclassifications**

Certain amounts from 2011 have been reclassified to conform to the 2012 presentation.

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2012 AND 2011**

**NOTE 2 - PLEDGES RECEIVABLE**

Pledges receivable are to be used for the purchase, renovation and subsequent debt repayment of PRC's headquarters and warehouse. Subsequent to year-end 2005, management performed an analysis of pledges receivable and determined that a \$40,000 pledge appeared uncollectible and should be written off, and a \$200,500 pledge should be reserved due to uncertainties about its collectability and the timing of future receipts. Long-term promises are not discounted to net present value since such amounts would be immaterial to the financial statements.

Unconditional promises to give at June 30 were receivable as follows:

	<u><b>2012</b></u>	<u><b>2011</b></u>
Receivable in less than one year	\$235,400	\$242,400
Receivable in one to five years	-	-
	<u>\$235,400</u>	<u>\$242,400</u>
Less discount	-	-
	<u>\$235,400</u>	<u>\$242,400</u>
Less allowance for uncollectible account	<u>\$200,000</u>	<u>\$200,000</u>
Pledges receivable, net	<u>\$ 35,400</u>	<u>\$ 42,400</u>

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment were comprised of the following at June 30:

	<u><b>2012</b></u>	<u><b>2011</b></u>
Land	\$ 448,087	\$ 448,087
Buildings and improvements	2,476,898	2,401,422
Office furniture and equipment	461,907	445,153
Vehicles	<u>125,599</u>	<u>125,599</u>
	3,512,491	3,420,261
Less: Accumulated depreciation and amortization	<u>1,358,030</u>	<u>1,176,776</u>
	<u>\$2,154,461</u>	<u>\$2,243,485</u>

**NOTE 4 - LINES OF CREDIT**

In order to achieve PRC's goal of revitalizing targeted historical neighborhoods, PRC purchases homes for renovation in those targeted neighborhoods. Funding these projects often requires PRC to enter into line of credit agreements. The specific property under renovation is used as collateral for these lines of credit. During fiscal years 2012 and 2011, interest incurred of \$0 and \$0, respectively, was capitalized relating to these properties.



**PRESERVATION RESOURCE CENTER OF NEW ORLEANS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2012 AND 2011**

**NOTE 4 - LINES OF CREDIT (cont'd).**

At June 30, 2012, PRC had three lines of credit available with a bank totaling \$3,850,000, bearing interest rates of 4% and 5% and secured by the first mortgage on specific properties held for sale. The outstanding balances on the current lines of credit at June 30, 2012 totaled \$1,523,773.

At June 30, 2011, PRC had three lines of credit available with a bank totaling \$3,850,000, bearing interest rate of 4% and 5% and secured by the first mortgage on specific properties held for sale. The outstanding balance on the current lines of credit at June 30, 2011 totaled \$2,160,441.

**NOTE 5 – CAPITAL LEASE OBLIGATIONS**

During fiscal 2007, PRC replaced its two photocopiers under capital lease obligations from the prior year with newly acquired copiers purchased under capital leases for \$52,076. During fiscal 2009, one copier was disposed of at \$21,633, and a new copier was acquired under a capital lease for \$43,157. The copiers are included in property and equipment in the accompanying consolidated statements of financial position, and the related amortization is included in accumulated depreciation and amortization and depreciation and amortization expense. The net book value at June 30, 2012 and 2011 was \$9,351 and \$20,703, respectively. Future minimum lease payments under the capital lease for the years succeeding June 30, 2012, are as follows:

2013	\$ 19,015
2014	<u>2,667</u>
Total minimum lease payments	21,682
Less amounts representing interest	<u>831</u>
Present value of minimum capital lease payments	<u>\$ 20,851</u>

**NOTE 6 - NOTES PAYABLE**

In June 2009, the PRC entered into a note payable with a private entity for \$188,000 with a stated interest of 6% per annum from date and was amortized over 10 years and will mature in five (5) years. It is due in monthly installments of principal and interest of \$2,087 and is collateralized by the land and buildings of PRC's headquarters. The outstanding balance on the note was \$142,874 and \$158,825 at June 30, 2012 and 2011, respectively.

On August 10, 2007 and August 13, 2007 the PRC entered into two note payable agreements for the purchase of two Chevrolet vans to assist in the transportation of materials for the Rebuilding Together program. The Chevrolet van purchased on 8/10/07 carries a stated interest rate of 10.40%, with sixty payments of \$494 each. The Chevrolet van purchased on 8/13/07 carries a stated interest rate of 11.90% for 60 payments of \$594 each. The payments started in October 2007, and both will mature as of September 2012. The outstanding balances on these notes were \$1,236 and \$7,711 at June 30, 2012 and 2011, respectively.



**PRESERVATION RESOURCE CENTER OF NEW ORLEANS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2012 AND 2011**

**NOTE 6 - NOTES PAYABLE (cont'd)**

On November 1, 2008, the PRC entered into a note payable agreement for the purchase of two identical F-250 Ford trucks to further assist in the transportation of materials for the Rebuilding Together program. Both trucks carry a stated interest rate of 9.142% with sixty payments of \$390 each. The payments started in November 2008, and both will mature as of October 2013. The outstanding balance on this note was \$7,864 and \$14,077 at June 30, 2012 and 2011, respectively.

On March 20, 2009, the PRC entered into a Memorandum of Understanding with the New Orleans Redevelopment Authority ("NORA") wherein PRC purchased twenty properties from NORA in order to rehab the properties no later than two hundred seventy (270) days from NORA's providing a clear title to properties. The properties are then to be sold by the PRC for homeownership. The purchase price was the sum of \$168,000, of which the PRC deposited 20% upon execution of the agreement. Anytime the PRC executes an act of sale, it will pay the balance due upon that property. As of June 30, 2012 and 2011, the remaining balance due was \$118,400 and \$143,400, respectively.

During fiscal year 2009, the PRC entered into four (4) "Adopt-a-Home" Agreements wherein the lender assists the PRC in its mission by providing interest free loans for the acquisition for renovation, and construction of the PRC properties. The dates and amounts are as follows: July 31, 2008 (\$22,400), September 16, 2008 (three agreements at \$35,000, \$35,000 and \$10,000). The maturity date of the Note shall be the earlier of (i) 18 months from the date of the issuance of the building permit for the property or (ii) date of sale of property. At the end of the term of the loan if the house is not complete or sold PRC guaranteed it would return the funds within thirty (30) days of the Grantor's request. Whitney National Bank agreed to provide take-out financing on all "Adopt-a-Home" loans. As of June 30, 2012 and 2011, the remaining balance due was \$10,000 and \$60,000, respectively.

The total maturities of PRC's notes payable for the fiscal years ending June 30 are as follows:

2013	\$ 150,435
2014	<u>129,939</u>
Total	<u>\$ 280,374</u>

PRC incurred interest expense of \$77,050 and \$55,291 during fiscal 2012 and 2011, respectively, of which \$0 and \$0, respectively, were capitalized in properties.

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2012 AND 2011**

**NOTE 7 - DESIGNATED FUNDS**

Periodically, PRC's board of directors designates certain funds to be used for specified purposes. The following designated funds had been established at June 30:

<u>Fund</u>	<u>Purpose</u>	<u>2012</u>	<u>2011</u>
Quasi-Endowment Fund	Quasi-Endowment	\$878,854	\$1,215,958
Aron Fund	Historic Restoration	740	899
OC Revolving Fund	Historic Restoration	2,478	4,042
Historic Faubourg St. Mary Fund	Easement Maintenance	3,628	3,628
Easement Donation Fund	Easement Maintenance	268,836	185,406
OC Equity Fund	Historic Restoration	168	168
		<u>\$1,154,704</u>	<u>\$1,410,100</u>

These funds are primarily included in cash and cash equivalents and investments in the accompanying consolidated statements of financial position.

**NOTE 8 - GOVERNMENT GRANTS**

Government grants require the fulfillment of certain conditions as set forth in the grant instruments. PRC intends to fulfill the conditions of all grants, recognizing that failure to fulfill the conditions could result in the return of the funds to grantors.

**NOTE 9 - PENSION PLAN**

PRC offers a defined contribution 403(b) plan to all employees who are at least twenty-one years of age. Participants are allowed to contribute up to a maximum of 15% of their total compensation.

Additionally, PRC provides a simplified employee plan (the Plan) to its employees. The Plan provides, to all employees who have been with PRC for a minimum of three years, an annual contribution to an Individual Retirement Account (IRA) equal to 2% of the employees' current gross eligible compensation. Contributions to the Plan totaled \$18,640 and \$13,321 for fiscal 2012 and 2011, respectively.

**NOTE 10 - CONCENTRATIONS**

PRC places its cash and cash equivalents with high credit quality institutions in the greater New Orleans area. Most accounts at those institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the year, the amounts on the deposit exceeded the federally insured limits.

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2012 AND 2011**

**NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

**Financial Instruments**

The following methods and assumptions were used by the PRC in estimating its fair value disclosures for financial instruments:

- Cash, cash equivalents, short-term unconditional promises to give, and notes payable: The carrying amounts reported in the statement of financial position approximate fair values because of the relatively short maturities of those instruments.
- Short-term and quasi-endowment investments: The fair values of investments are based on quoted market prices for those and similar investments.
- Long-term unconditional promises to give: The fair value of promises to give that are due in more than one year is estimated by discounting expected future cash flows using a rate of return based on the yield of a U.S. Treasury security with a maturity date similar to the expected collection period.

The estimated fair values of the PRC's financial instruments are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:		
Cash and cash equivalents	\$813,172	\$813,172
Investments	845,206	845,206
Unconditional promises to give	35,400	35,400
Financial Liabilities:		
Notes Payable	280,374	280,374

**Fair Value Measurements**

The following table presents the PRC's fair value hierarchy for the financial assets measured at the fair value on a recurring basis:

	<b>Fair Value Measurements at Reporting Date Using:</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>
	<u>Fair Value</u>	<u>(Level 1)</u>
Investments	\$845,206	\$845,206

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2012 AND 2011**

**NOTE 12 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 11, 2013, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**NOTE 13 – RELATED PARTY TRANSACTIONS**

PRC is provided legal services by the current treasurer of the Board of Directors at costs discounted from what the services would cost at market value. During the fiscal year ended June 30, 2012, PRC paid the individual \$2,514 for legal services.

In addition, the treasurer advanced PRC \$25,000 to be repaid no later than December 31, 2011. This amount has not been repaid as of the date of this report.

PRC was provided architectural services by a current member of the Board of Directors at costs discounted from what the services would cost at market value. During the year ended June 30, 2012, PRC paid the individual \$0 for these services and owed \$39,869 as of June 30, 2012.

**NOTE 14 – UNCERTAIN INCOME TAXES**

On July 1, 2009, PRC adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB ASC. The implementation of this topic had no impact on the statement of financial position or statement of activities.

PRC's 2008 - 2010 tax returns have been filed appropriately. As of March 11, 2013, PRC has been approved for an extension to file their 2011 tax return. PRC recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. PRC's tax filings are subject to audit by various taxing authorities. PRC's open audit periods are 2008 - 2010. Management has evaluated PRC's tax position and concluded that PRC has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

**NOTE 15 – CONSERVATION EASEMENTS**

PRC holds conservation easements placed on various properties. At June 30, 2012 and 2011, approximately 116 such easements were held. No value has been assigned to these easements in the financial statements because PRC does not have ownership rights to the underlying property.

<b>PRESERVATION RESOURCE CENTER OF NEW ORLEANS SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2012</b>		
Grantor/Pass Through Grantor/Program Title	CFDA Number	Disbursements/ Expenditures
<b>UNITED STATES DEPARTMENT OF THE INTERIOR NATIONAL PARK SERVICE</b>  Pass through: <u>State of Louisiana, Department of Culture, Recreation and Tourism</u> Historic Preservation Fund	15.904	\$ 30,001
<b>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>  Pass through: <u>City of New Orleans</u> Neighborhood Stabilization Program	14.264	25,147
<b><u>CDBG Entitlement Grants Cluster:</u></b> Pass through: <u>City of New Orleans</u> Community Development Block Grants/Entitlement Grants <b>Total CDBG Entitlement Grants Cluster</b>	14.218	573,643 573,643
<b><u>CDBG State Administered Cluster:</u></b> Pass through: <u>Louisiana Housing Finance Agency</u> Community Development Block Grant	14.228	1,357,064
<u>New Orleans Redevelopment Authority</u> Community Development Block Grant	14.228	90,026
<u>Office of Community Development</u> Community Development Block Grant <b>Total CDBG State Administered Cluster</b>	14.228	313,067 1,760,157
<b>TOTAL FEDERAL AWARDS</b>		<b>\$ 2,388,948</b>
<b>NOTES TO SCHEDULE</b>		
<u>Basis of Presentation</u> The Schedule of Expenditures of Federal Awards includes the federal grant activity of Preservation Resource Center of New Orleans (PRC) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, <u>Audits of States, Local Governments, and Non-Profit Organizations</u> .  PRC's federal awards are operated on a cost reimbursement basis whereby PRC applies for reimbursement of costs incurred in conjunction with program activities. Accordingly, this schedule presents, on the accrual basis of accounting, the revenues earned through the expenditure of funds in conjunction with these grants.		
<u>Major Programs</u> Major programs are identified in the Summary of Auditors' Results section of the Schedule of Findings and Questioned Costs.		





**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

March 11, 2013

To the Board of Directors of  
Preservation Alliance of New Orleans, Inc.  
d/b/a Preservation Resource Center of New Orleans  
New Orleans, Louisiana

We have audited the consolidated financial statements of Preservation Alliance of New Orleans, Inc. d/b/a Preservation Resource Center of New Orleans (PRC), as of and for the year ended June 30, 2012, and have issued our report thereon dated March 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of PRC is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered PRC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PRC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of PRC's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as findings 2012-1 and 2012-2 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

## **Compliance**

As part of obtaining reasonable assurance about whether PRC's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 2012-2.

PRC's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit PRC's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana and various federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Hienz & Macaluso, LLC*  
Metairie, LA





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

March 11, 2013

To the Board of Directors of  
Preservation Alliance of New Orleans, Inc.  
d/b/a Preservation Resource Center of New Orleans  
New Orleans, Louisiana

**Compliance**

We have audited the compliance of the Preservation Alliance of New Orleans, Inc. d/b/a Preservation Resource Center of New Orleans (PRC), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. PRC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of PRC's management. Our responsibility is to express an opinion on PRC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about PRC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on PRC's compliance with those requirements.

In our opinion, PRC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

### **Internal Control Over Compliance**

The management of PRC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered PRC's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PRC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana and various federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Hienz & Macaluso, LLC*  
Metairie, LA

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED June 30, 2012**

**A. SUMMARY OF AUDITOR'S RESULTS:**

Financial Statements

- |   |             |
|---|-------------|
| 1) Type of auditor's report                                 | Unqualified |
| 2) Compliance and internal control over financial reporting |             |
| a) Material weaknesses identified                           | No          |
| b) Significant deficiencies identified                      | Yes         |
| c) Non-compliance noted                                     | Yes         |
| 3) Management letter comments                               | No          |

Federal Awards

- |  |             |
|--|-------------|
| 4) <u>Internal control over major programs</u>   |             |
| Material weaknesses identified   | No          |
| Significant deficiencies identified  | No          |
| 5) Type of auditor's report issued on compliance for major federal programs            | Unqualified |
| 6) Audit findings disclosed that are required in accordance with<br>OMB Circular A-133 | No          |
| 7) Identification of major programs<br>14.228 – Community Development Block Grants     |             |
| 8) Dollar threshold used to distinguish between Type A and Type B programs             | \$300,000   |
| 9) Auditee qualified as a low-risk auditee under OMB Circular A-133                    | Yes         |

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED June 30, 2012**

**B. FINANCIAL STATEMENT FINDINGS**

Compliance and Internal Control over Financial Reporting

2012-1 Accurate and Timely Financial Reporting

Management is responsible for developing and maintaining internal controls sufficient to produce accurate and timely financial information. During the course of the audit, we noted that management of PRC was unable to produce timely reconciliations of federal awards in order for us to perform audit procedures. This resulted in significant delays in completing the audit. The failure to do so increases the risk that a material misstatement of the financial statements will occur and not be detected by management. The failure to produce accurate and timely financial information was primarily due to a turnover in key personnel.

We recommend that PRC establish necessary procedures to ensure that they produce accurate and timely financial data sufficient for reporting purposes.

Management's Response

PRC will implement the following procedures:

1. Performing routine internal audits to ensure reconciliations meet all requirements of grant and other agreements.
2. Journal entries will be posted in a timely manner and have clear supporting documentation.
3. Grant reimbursements will be submitted at least monthly to ensure timely reimbursement of expenditures.
4. A new receivable tracking worksheet will be developed to track invoice statuses.
5. Providing training to staff to improve skills and understanding of grant reporting and accounting requirements for each award.

2012-2 Late Submission of Audited Financial Statements

Under Louisiana statute, PRC was required to have an annual audit of its financial statements prepared in accordance with U.S. generally accepted accounting principles and submit it to the Legislative Auditor by December 31, 2012. PRC did not meet the deadline for submitting its annual audit to the Legislative Auditor, resulting in noncompliance with Louisiana laws. The failure to have the audit completed in a timely fashion was primarily due to a turnover in key staff as well as a lack of proper procedures to ensure that the financial records are closed on a timely basis.

We recommend that PRC establish necessary procedures to ensure that its financial statements are submitted to the Legislative Auditor in accordance with state statute.

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED June 30, 2012**

Management's Response

PRC will devote adequate resources to financial statement preparation to ensure that the books are closed promptly at the conclusion of each period even in the event of turnover of key personnel.

**PRESERVATION RESOURCE CENTER OF NEW ORLEANS  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED June 30, 2012**

Not applicable.